

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF FLEMING-MASON)
RURAL ELECTRIC COOPERATIVE CORPORATION)
FOR AN ORDER AUTHORIZING SAID)
CORPORATION TO BORROW FOUR MILLION)
(\$4,022,000.00) FROM THE UNITED)
STATES OF AMERICA, AND TO EXECUTE A)
NOTE FOR SAID SUM TO THE UNITED STATES)
OF AMERICA, AND TO BORROW FROM THE)
NATIONAL RURAL UTILITIES COOPERATIVE)
FINANCE CORPORATION, THE SUM OF ONE)
MILLION SEVEN HUNDRED TWENTY THREE)
THOUSAND DOLLARS (\$1,723,000.00) AND)
TO EXECUTE A NOTE FOR SAID SUM TO THE)
NATIONAL RURAL UTILITIES COOPERATIVE)
FINANCE CORPORATION TO PROVIDE FOR)
THE CONSTRUCTION AND OPERATION OF)
ADDITIONAL ELECTRIC DISTRIBUTION AND)
SERVICE LINES)

CASE NO.
93-143

O R D E R

Fleming-Mason Rural Electric Cooperative Corporation ("Fleming-Mason") filed its application on May 12, 1993 for a Certificate of Public Convenience and Necessity to construct certain improvements and additions to its existing plant, for approval to borrow funds, and to execute notes to secure such loan. Based on the filing of Fleming-Mason, these improvements and additions are estimated to cost \$5,994,235 and will be financed by loans of \$4,022,000 from the Rural Electrification Administration ("REA"), \$1,776,289 from the National Rural Utilities Cooperative

Finance Corporation ("CFC"),¹ and \$249,235 from Fleming-Mason's internally generated funds.

On July 30, 1993, the Commission issued an Interim Order granting Fleming-Mason a Certificate of Public Convenience and Necessity for the proposed construction, but deferred ruling on the proposed loans because neither REA nor CFC had yet agreed to make them. On November 3, 1993, Fleming-Mason advised the Commission that CFC had approved the concurrent loan in the amount indicated for a period of 35 years contingent upon REA approval. Fleming-Mason filed a copy of correspondence received from REA approving the loans December 10, 1993.

The Commission, after consideration of the evidence of record and being advised, finds that:

1. The proposed loan from CFC is for lawful objects within the corporate purposes of Fleming-Mason, is necessary and appropriate for and consistent with the proper performance by Fleming-Mason of its service to the public, and will not impair its ability to perform that service.

2. Fleming-Mason is capable of executing its notes as security for the loan as stated herein.

¹ The borrowings from CFC include the purchase of capital term certificates, in an amount equal to 3 percent of the total CFC loan. CFC requires its borrowers to purchase these certificates. The purchases required of Fleming-Mason for this loan total \$53,289. The total amount of the REA and CFC loans equals \$5,745,000.

3. Fleming-Mason should select the interest rate program which will result in the net lowest cost of money to it over the term of the financing.

4. Within 10 days of its selection of the interest rate program, Fleming-Mason should notify the Commission in writing of the interest rate program selected and of the reasons for its selection.

5. The proceeds from the proposed loans should be used only for the lawful purposes set out in Fleming-Mason's application.

6. Fleming-Mason should include in its monthly financial report to the Commission the current rate on its outstanding variable rate loans.

7. As the issuance of securities or evidences of indebtedness subject to the control of a federal governmental agency does not require Commission approval, KRS 278.300(10), and as the REA is an agency of the federal government, no action on Fleming-Mason's proposed loan from the REA is required.

IT IS THEREFORE ORDERED that:

1. Fleming-Mason be and it hereby is authorized to borrow \$1,776,289 from CFC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by Fleming-Mason at the time the first monies are drawn from CFC, subject to the provisions and terms of the application with respect to renegotiation of the interest rate.

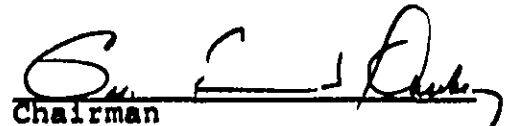
2. Fleming-Mason be and it hereby is authorized to execute its notes as security for the loan herein authorized.

3. Fleming-Mason shall comply with all matters set out in Findings 3 through 6 as if they were individually so ordered.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 31st day of January, 1994.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director